

**REPORT OF THE AUDIT OF THE
ROBERTSON COUNTY
SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period
April 26, 2008 Through April 15, 2009**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE 502.564.5841
FACSIMILE 502.564.2912**

EXECUTIVE SUMMARY

**AUDIT EXAMINATION OF THE
ROBERTSON COUNTY
SHERIFF'S SETTLEMENT - 2008 TAXES**

**For The Period
April 26, 2008 Through April 15, 2009**

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2008 Taxes for the Robertson County Sheriff for the period April 26, 2008 through April 15, 2009. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$679,105 for the districts for 2008 taxes, retaining commissions of \$28,654 to operate the Sheriff's office. The Sheriff distributed taxes of \$650,096 to the districts for 2008 taxes. Taxes of \$59 are due to the districts from the Sheriff.

Report Comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Is Not Performing Monthly Bank Reconciliations
- Deposits Were Not Made Intact Daily And Tax Collection Reports Did Not Agree To The Bank Deposits

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Billy Allison, Robertson County Judge/Executive

Honorable Randy Insko, Robertson County Sheriff

Members of the Robertson County Fiscal Court

Independent Auditor's Report

We have audited the Robertson County Sheriff's Settlement - 2008 Taxes for the period April 26, 2008 through April 15, 2009. This tax settlement is the responsibility of the Robertson County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Robertson County Sheriff's taxes charged, credited, and paid for the period April 26, 2008 through April 15, 2009, in conformity with the modified cash basis of accounting.

In accordance with Government Auditing Standards, we have also issued our report dated August 28, 2009 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



To the People of Kentucky

Honorable Steven L. Beshear, Governor

Jonathan Miller, Secretary

Finance and Administration Cabinet

Honorable Billy Allison, Robertson County Judge/Executive

Honorable Randy Insko, Robertson County Sheriff

Members of the Robertson County Fiscal Court

Based on the results of our audit, we present the accompanying comments and recommendations, included herein, which discusses the following report comments:

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Is Not Performing Monthly Bank Reconciliations
- Deposits Were Not Made Intact Daily And Tax Collection Reports Did Not Agree To The Bank Deposits

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen

Auditor of Public Accounts

August 28, 2009

ROBERTSON COUNTY
RANDY INSKO, SHERIFF
SHERIFF'S SETTLEMENT - 2008 TAXES

For The Period April 26, 2008 Through April 15, 2009

<u>Charges</u>	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
Real Estate	\$ 66,502	\$ 151,678	\$ 247,388	\$ 64,906
Tangible Personal Property	1,302	4,560	4,680	3,315
Franchise Taxes	18,653	59,046	67,297	
Bank Franchises	3,525			
Penalties	638	1,459	2,372	626
Adjusted to Sheriff's Receipt	306	694	1,132	298
Gross Chargeable to Sheriff	✓ 90,926	✓ 217,437	✓ 322,869	✓ 69,145
<u>Credits</u>				
Exonerations	323	736	1,200	315
Discounts	945	2,036	3,252	872
Delinquents:				
Real Estate	1,371	3,127	5,100	1,338
Tangible Personal Property	2	6	6	6
Franchise Taxes	✓ 78	276	283	
Total Credits	✓ 2,719	✓ 6,181	✓ 9,841	✓ 2,531
Taxes Collected	✓ 88,207	✓ 211,256	✓ 313,028	✓ 66,614
Less: Commissions *	4,036	8,978	12,521	3,119
Taxes Due	✓ 84,171	✓ 202,278	✓ 300,507	✓ 63,495
Taxes Paid	84,132	202,145	300,363	63,456
Refunds (Current and Prior Year)	39	75	✓ 144	38
Due Districts		**		
as of Completion of Audit	\$ 0	\$ 58	\$ 0	\$ 1

* Commissions:

10% on	\$	10,000
4.25% on	\$	356,077
4% on	\$	313,028

** Special Taxing Districts:

Soil Conservation District	\$	58
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The accompanying notes are an integral part of this financial statement.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT

April 15, 2009

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue which are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue which are recognized when there is proper authorization. Taxes paid are uses of revenue which are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Robertson County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

ROBERTSON COUNTY
NOTES TO FINANCIAL STATEMENT
April 15, 2009
(Continued)

Note 2. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Robertson County Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of April 15, 2009, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 3. Tax Collection Period

The real and personal property tax assessments were levied as of January 1, 2008. Property taxes were billed to finance governmental services for the year ended June 30, 2009. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 1, 2008 through April 15, 2009.

Note 4. Interest Income

The Robertson County Sheriff earned \$80 as interest income on 2008 taxes. As of April 15, 2009, the Sheriff owed \$36 in interest to the school district.

Note 5. Sheriff's 10% Add-On Fee

The Robertson County Sheriff collected \$3,389 of 10% add-on fees allowed by KRS 134.430(3). This amount was used to operate the Sheriff's office.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Billy Allison, Robertson County Judge/Executive
Honorable Randy Insko, Robertson County Sheriff
Members of the Robertson County Fiscal Court

**Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

We have audited the Robertson County Sheriff's Settlement - 2008 Taxes for the period April 26, 2008 through April 15, 2009, and have issued our report thereon dated August 28, 2009. The Sheriff prepares his financial statement in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Robertson County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Robertson County Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Robertson County Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statement that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying comments and recommendations to be significant deficiencies in internal control over financial reporting.

- The Sheriff's Office Lacks Adequate Segregation Of Duties
- The Sheriff Is Not Performing Monthly Bank Reconciliations



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

- Deposits Were Not Made Intact Daily And Tax Collection Reports Did Not Agree To The Bank Deposits

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statement will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiencies described above to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Robertson County Sheriff's Settlement - 2008 Taxes for the period April 26, 2008 through April 15, 2009, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Robertson County Sheriff's responses to the findings identified in our audit are included in the accompanying comments and recommendations. We did not audit the Sheriff's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Robertson County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

August 28, 2009

COMMENTS AND RECOMMENDATIONS

ROBERTSON COUNTY
RANDY INSKO, SHERIFF
COMMENTS AND RECOMMENDATIONS

For The Period April 26, 2008 Through April 15, 2009

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

The Sheriff's Office Lacks Adequate Segregation Of Duties

The Sheriff is the only employee of the Sheriff's office, which creates a lack of adequate segregation of duties. The Sheriff collects and deposits tax receipts, records all transactions, prepares the monthly reports and issues checks to the taxing districts. Good internal controls dictate the same employee should not handle and record receipts and disbursements. Having only one individual responsible for all duties increases the risk that misstatements or errors may occur and not be detected in a timely manner.

Sheriff's Response: One employee handles all business (Sheriff).

The Sheriff Is Not Performing Monthly Bank Reconciliations

The Sheriff did not complete monthly bank reconciliations. Good internal controls dictate bank statements should be reconciled monthly and agreed to the receipts and disbursements ledgers. Failure to reconcile on a monthly basis could cause errors to occur and not be detected. We recommend the Sheriff complete bank reconciliations monthly.

Sheriff's Response: No response.

Deposits Were Not Made Intact Daily And Tax Collection Reports Did Not Agree To The Bank Deposits

The Sheriff did not make deposits intact daily and tax collection reports did not agree to bank deposits. In addition, the Sheriff did not separate tax payments made in cash from tax payments made by check in his computer system. Due to the high risk associated with these cash transactions, it is crucial that the Sheriff deposit all collections on a daily basis and agree these deposits back to the tax collection reports. Daily deposits will help prevent the likelihood of misstatement or fraud occurring without being detected. We recommend all collections be deposited on a daily basis and reconciled to the daily tax collection reports.

Sheriff's Response: No response.

